

**EMPLOYEES RETIREMENT SYSTEM OF TEXAS**  
**WORKFORCE ANALYSIS AND PLAN**  
June 2010

## **I. Current Workforce Profile (Supply Analysis)**

### Critical Workforce Skills

There are several critical skills that are important to ERS' ability to operate. Without these skills, ERS could not provide basic benefit and retirement services. The skills are listed below:

- Ability to interpret legislation;
- Ability to communicate detailed information;
- Ability to write guidelines and procedures for a targeted audience;
- Ability to use automated benefit systems;
- Ability to transition business processes from manual systems to web-based investment systems;
- Ability to develop long-term and short-term goals for the investment program;
- Ability to manage alternative asset classes;
- Risk management skills;
- Quality assurance skills;
- Ability to effectively and efficiently manage projects;
- Ability to identify and implement strategic technology and business responses to address issues and opportunities; and
- Ability to develop and monitor complex contract plans.
- Ability to think critically.

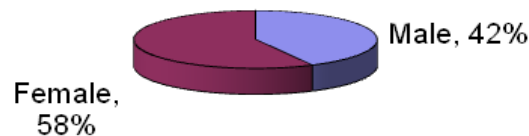
In addition, ERS needs highly skilled and knowledgeable Investments staff to administer comprehensive and actuarially sound retirement programs.

### Workforce Demographics

As of May 31, 2010, the Employees Retirement System had 331 employees, including part-time and full-time staff, to carry out the mission of the agency. ERS enhances the lives of our participants through the delivery of quality benefits at a reasonable cost. The following three pie charts illustrate the demographic make-up of ERS' workforce.

#### **WORKFORCE BREAKDOWN** **Gender**

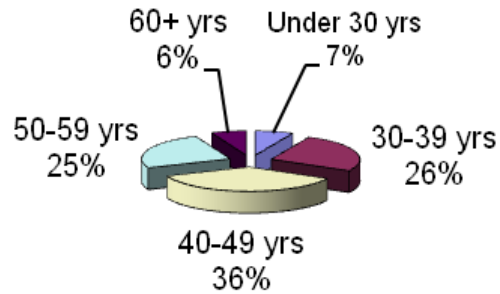
ERS' workforce is comprised of 42 percent males and 58 percent females.



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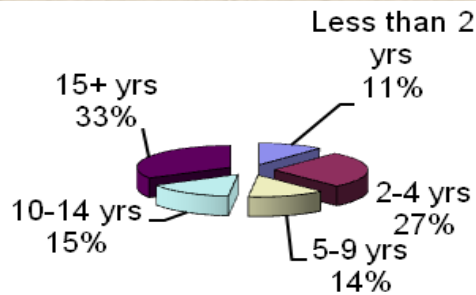
## Age

More than 67 percent of the agency's employees are over the age of 40.



## Agency Tenure

Over 61 percent of ERS' workforce has five years or more of state service.



## Agency Minority Workforce

The following table compares the percentage of minority workers at ERS as of May 31, 2010 to the statewide civilian workforce.

Job Category	African-American		Hispanic-American		Females	
	ERS %	State %	ERS %	State %	ERS %	State %
Officials, Administration	0%	4%	7%	10%	50%	30%
Professional	4%	9%	11%	9%	49%	46%
Technical	7%	13%	11%	16%	40%	40%
Para-professional	15%	23%	21%	29%	80%	56%
Administrative Support	11%	19%	43%	22%	79%	81%
Skilled Craft	0%	10%	100%	24%	0%	17%
Service and Maintenance	0%	29%	50%	36%	0%	21%

Source Document for State percentage: Civilian Workforce Comparison Chart, EEOC National Employment Summary EEO-4 2001 and EEO-1 2002

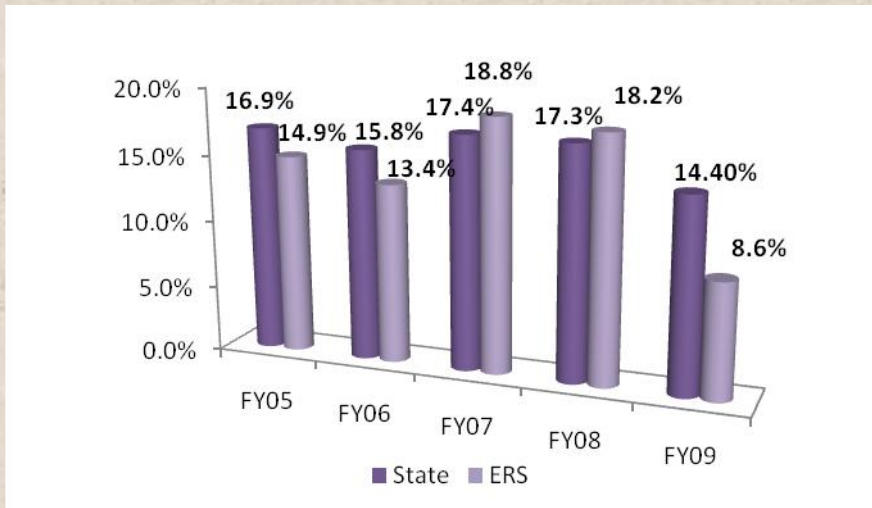
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There are five categories of zero-represented classes within ERS. These are African-American: Officials/Administration, Skilled Craft, and Service and Maintenance; and Female: Skilled Craft, Service and Maintenance. ERS does not utilize Skilled Craft positions and only employs nine staff in Operation and Maintenance Services which explains the under-representation in this category.

## **II. Employee Turnover**

The following graph compares the average ERS turnover to that of the State for fiscal years 2005 through 2009. During this time-period, ERS' turnover rate was below the statewide turnover rate except in fiscal year 2007-08 when ERS experienced some departmental reorganization that resulted in a limited reduction in force.

As of May 31, 2010, the agency turnover rate is 4.3 percent. Annualizing this figure gives ERS a projected turnover rate for fiscal year 2010 of 5.7 percent.



Turnover by length of service is one indicator for how effective an agency's recruitment and selection process is in matching the employee to the job. Below is a chart showing the percentage of turnover by length of service for the State and for ERS during fiscal year 2009.

### **Turnover by Length of Service**

Length of State Service	ERS Turnover % by Service FY 2009	State Turnover % by Service FY 2009
Less than 2 years	6.3%	33.1%
2 to 4.99 years	4.2%	14.8%
5 to 9.99 years	2.4%	8.6%
10 to 14.99 years	2.1%	6.8%
15 years and over	3.1%	8.8%
Overall Turnover	8.6%	14.4%



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The highest percentage of turnover for state employees continues to be for those who have less than two years of service. Although the percentage of ERS employees who leave with less than two years of service is significantly lower than the state's percentage, it is the highest percentage rate within this category. ERS makes every effort to minimize turnover in this category by carefully selecting job candidates and by using competitive salaries. The higher rate of turnover for ERS employees with 15 years or more of service is primarily due to retirements.

**Turnover by Age**

Turnover by age reflects the make-up of the agency workforce. The two age groups with the greatest turnover are due to retirements. Below is a chart showing the percentage of turnover by age.

**Turnover by Age**

	ERS Turnover % by Age FY 2009	State Turnover % by age FY 2009
Under 30 years	8.0%	32.5%
30 to 39 years	7.5%	13.8%
40 to 49 years	3.6%	8.0%
50 to 59 years	12.6%	10.1%
60 years and over	16.7%	17.22%
Overall Turnover	8.6%	14.4%

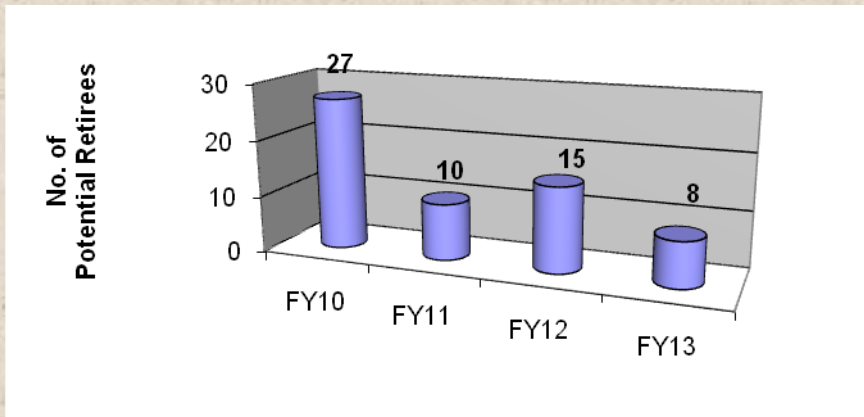
During fiscal year 2009, employees in the 30-39 and 40-49 age groups experienced the lowest level of turnover at ERS. The agency recognizes that these age groups represent approximately 58% of agency's workforce and the importance of retaining the younger workforce within state government.

**Turnover from Potential Retirements**

Based on limited data available, the agency projects that during the next three fiscal years, approximately 10 percent of ERS' workforce will be eligible to retire, taking with them institutional knowledge and expertise. ERS continues to prepare for the retirement of employees in key positions through succession planning, cross training, and employee development.

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The following chart illustrates the potential loss of ERS employees due to retirement between now and fiscal year 2012.



### **III. Future Workforce Profile (Demand Analysis)**

ERS is at the end of a three-year period of designing and implementing systems to meet the challenges of six vision elements. The vision elements include:

- A financially secure pension program
- An innovative use of enabling technology
- A rewarding work environment
- Well informed stakeholders
- Modeling customer service
- High quality, innovative and affordable benefits

#### Critical Functions

To address the challenges for our agency, ERS needs a workforce who can accomplish the following strategic directions:

- Increase retirement security
- Optimize group benefits programs
- Engage stakeholders
- Enhance agency performance and accountability

#### Expected Workforce Changes

Supervisors at ERS will require the ability to re-engineer business processes and to lead a team through the transition to new and more complex systems, as well as effectively communicate the new processes to agency staff. Staff in the Investments Division will require experience in additional investment asset classes.

#### Anticipated Increase/Decrease in Number of Employees Needed to Do the Work

ERS does not anticipate a significant increase to the agency's FTE count.



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Critical Functions Required in Achieving the Strategic Plan

The strategic directions identified under the critical functions subheading will continue to be necessary and important over the next several years. ERS customers will continue to demand more, faster, and easier access to their benefit information, more innovative products, and reasonable costs for services and products. ERS will be required to offer and deliver services that are more complex. As a result, the skills to deliver the complex services will have to be acquired or developed by the agency workforce.

Leverage skills and talents of ERS staff through employee and organization development is critical to the success of the agency. It is vital to the health of the agency that we have a well-trained, highly skilled and flexible workforce to respond to the needs of both our customers and program changes resulting from federal and state legislation. Employees will require cross-training, formal training and re-training to maintain employment with ERS.

Future Workforce Skills Needed

To administer effectively and efficiently the benefit and retirement services and products under ERS' jurisdiction, the agency relies on a competent and knowledgeable staff. Additionally, the following skills and abilities will be essential for the workforce to attain the six vision elements:

- leadership, management and supervision skills;
- improved written and verbal communications between all staff;
- investment;
- ability to develop long-term and short-term goals for the investment program;
- ability to manage alternative asset classes, private real estate, private equity, and hedge funds;
- project management;
- web-based technology;
- contract management;
- change management;
- process analysis;
- strategic planning; and
- risk management skills.

**IV. Gap Analysis**

Anticipated Surplus or Shortage of Workers and Skills

After analyzing the agency workforce information, ERS has determined that there are two main gaps between the agency's workforce supply and demand that must be addressed.

1. Current employees lack some critical skills
  - Required skill such as critical thinking involved in process changes.
  - Leverage cross-training and formal training to thoroughly master new skills before performing new functions.
  - Legislation that changes or adds to agency programs may require new and more complex skills and knowledge from the workforce.

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Based on training requests, feedback and Survey of Employee Engagement results, ERS management identified the skills that will be priorities for employees to have over the next five years. These skills are listed in the table below, rated on a scale from 1-4 to determine the current proficiency level and desired proficiency levels. The rates in the “Have” and “Need” columns represent a composite of all of ERS departments. The ratings of individual departments will differ from the composite below. The job categories used in this table, Officials/Administration, Professional, Technical, and Administrative Support are the groupings used and defined by the Equal Employment Opportunity Commission for the EEOC Form (EEO-4).

### Gap Analysis of Critical Workforce Skills

Skill	Officials/Admin			Professional			Technical			Admin Support		
	Have	Need	Gap	Have	Need	Gap	Have	Need	Gap	Have	Need	Gap
Leadership, management and supervision skills	4	4	0	2	3	1	1	2	1	0	0	0
Internal Communication	3	4	1	2	3	1	2	3	1	1	3	2
Project management	3	4	1	2	3	1	2	3	1	1	2	1
Web-based technology	3	3	0	3	3	0	3	4	1	1	1	0
Change Management	3	4	1	2	3	1	2	3	1	1	1	0
Contract Management	4	4	0	2	3	1	2	3	0	1	2	1
Risk Management	3	4	1	3	4	1	2	3	1	1	2	1
Process Analysis	4	4	0	3	4	1	3	4	1	1	2	1
Strategic Planning	3	4	1	2	3	1	2	3	1	1	1	0
Critical Thinking	3	4	1	2	3	1	2	3	1	1	3	2

#### Legend

Have = Average competency level for incumbents of targeted job categories  
 Need = Average competency levels needed for future employees in targeted categories  
 Gap = Difference in skill level between current and future competency levels  
 0 = No knowledge  
 1 = Minimal knowledge, familiarity with skill  
 2 = Working knowledge, proficiency in skill  
 3 = Professional level, mastery of skill  
 4 = Acknowledged expert in skill, able to mentor and train other employees

2. ERS needs to attract and retain workers with Information Science and Investment experience and skills.
  - As the economy continues to recover, the agency will be competing with private sector companies for Information Science and Investment applicants with critically necessary skill sets.
  - State workforce trends indicate there will be an increasing annual turnover rate and a skills gap in the workforce.

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- The Information Technology classification series need to be more competitive with private sector pay plans.

The following chart illustrates the potential gap in workforce staffing the agency anticipates experiencing in the next four years. If the agency trends of turnover and retirement eligibility continue, ERS will need to hire 84 new employees through fiscal year 2013.

<b>Gap Analysis</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>	<b>FY13</b>
FTE Count	340	340	340	340
Annual Turnover (average rate of 5.7 percent)	21	21	21	21
Estimated FTE Supply (total FTEs minus adjusted turnover)	319	319	319	319
Anticipated Demand	340	340	340	340
Gap between Projected Supply and Anticipated Demand	-21	-21	-21	-21
Four-year total in gap	-84FTEs			

#### V. **Strategy Development**

In order to address the deficits between the current workforce and the future demands of positions at ERS, the agency has developed a strategic plan for the current workforce plan. The plan is based on input from the ERS 2010 Strategic Planning Team.

<b>Gap (Strategic Direction)</b>	<b>Enhancing agency performance and accountability</b>
<b>Strategy</b>	<b>Leverage Skills and Talents of ERS Staff Through Employee and Organization Development</b>
<b>Goal</b>	<b>Determine and implement a plan of action to address growth opportunities identified from the Survey of Employee Engagement</b>
<b>Goal</b>	<b>Engage employees to provide input into cross- and formal training</b>
<b>Goal</b>	<b>Evaluate and refine employee training and development programs</b>



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## VI. Survey of Employee Engagement Results and Utilization Plans

ERS has participated in the Survey of Organizational Excellence, now called the Survey of Employee Engagement (SEE) since the 1994 survey. The survey is used as a means of assessing employee attitudes toward the agency, identifying employee perceptions of the strengths and weaknesses of the agency, and identifying areas that could be improved.

### Findings 2010

The overall survey score for ERS is 3.86. This score is a broad indicator for overall comparison with other entities. It is composed of the average of all survey items and represents the overall score for the organization. Scores typically range from 3.25 to 3.75.

### Construct Scores

The survey is organized into 14 categories, or concepts most utilized by leadership and those which drive organizational performance and engagement. Scores are measured as follows:

- Above 375 = areas of substantial strength **(12 ERS scores)**
- Between 350 – 375 = perceived more positively than negatively **(1 ERS score)**
- Between 325 - 349 = viewed less positively by employees
- Below 325 = significant source of concern and requires immediate attention **(1 ERS score)**

### Benchmark Comparisons

Employees responded to the SEE, via a secure web-based interface. Out of the 329 employees who were invited to take the survey, 300 (91%) responded. ERS' response rate is considered extremely high and is a testimony to the level of commitment staff to improve the agency. Since the SEE is designed with a new reporting format, ERS is unable to compare the construct scores to other agencies of the same size.

### Climate Analysis

Another way to view and analyze the survey data is the climate analysis. The climate in which employees work does, to a large extent, determine the efficiency and effectiveness of an organization. The appropriate climate is a combination of a safe, non-harassing environment with ethical abiding employees who treat each other with fairness and respect. It is an organization with proactive management that communicates and has the capability to make thoughtful decisions.

- Atmosphere – free of harassment in order to establish a community of reciprocity. **(Score: 404 – substantial strength)**
- Ethics – foundation of building trust within an organization where not only are employees ethical in their behavior, but that ethical violations are appropriately handled. **(Score: 406 – substantial strength)**
- Fairness – extent to which employees believe that equal and fair opportunity exists for all members of the organization. **(Score: 352 – perceived more positively than negatively)**

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- Feedback – essential element of organizational learning by providing the necessary data in which improvement can occur. (**Score: 358** – perceived more positively than negatively)
- Management – climate presented my Management as being accessible, visible, and an effective communicator of information is a basic tenant of successful leadership. (**Score: 366** – perceived more positively than negatively)

### **Plans for Continued Improvement**

Survey results are made available to all employees via the agency's intranet to continue the process of improving internal communications. The agency is committed to researching and/or improving any areas that employees perceive areas of concern.

### **Conclusion**

ERS management considers the agency's participation in the survey as a valuable tool for improving agency operations. ERS will participate in future surveys with a goal to increase participation and improve key indicators related to employee morale. Comparison of future results with these goals, as well as with the benchmarks, will enable ERS to further define methods for addressing the needs of the agency and its employees.